

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 INR-07 NSAE-00 COME-00

FRB-03 XMB-02 /033 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 2951

TREASURY DEPT WASHDC

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: HIGH DEMAND FOR NEW SIX-MONTH TREASURY BILLS MIGHT
PRESAGE LOWERING INTEREST RATES

1. NEW OFFERING OF 3,500 BILLION LIRE IN TREASURY BILLS AUCTIONED
FEBRUARY 23 REPLACED 6,700 BILLION LIRE OF MATURING BILLS.
COMMERCIAL BANKS AND OTHER PRIVATE BUYERS REPLACED 2,941
BILLION LIRE OF MATURED BILLS WITH 3,006 BILLION LIRE OF NEW
BILLS FOR A NET INCREASE IN THEIR HOLDINGS OF TREASURY VILLS OF
65 BILLION LIRE. BANKS AND PRIVATE BUYERS SUSCRIBED TO 1,718
BILLION LIRE OF THREE-MONTH BILLS (OF 2,000 BILLION OFFERED) AT
17.00 PERCENT COMPOUND INTEREST RATE, PURCHASED ENTIRE 1,000
BILLION LIRE OFFERING OF SIX-MONTH BILLS AT 16.87 PERCENT (DOWN
FROM 17.64 PERCENT IN JANUARY AUCTION), AND 288 BILLION LIRE (OF
THE 500 BILLION OFFERED) OF THE ONE-YEAR BILLS AT 16.69 PERCENT.
BANK OF ITALY REDUCED ITS HOLDINGS OF TREASURY BILLS BY 3,265
BILLION LIRE, REPLACING 3,759 BILLION LIRE OF MATURING BILLS WITH
ONLY 494 BILLION LIRE OF THE NEW ISSUE. (THERE COULD BE A SUBSEQUENT
DIRECT SALE, HOWEVER, IN RANGE OF 4 - 4,500 BILLION LIRE.)

2. COMMENT. THE STRONG DEMAND FOR SIX-MONTH BILLS (REPORTEDLY
THESE WERE OFFERS FOR 1,450 BILLION LIRE) PROBABLY PRESAGES A FALL
IN INTEREST RATES IN THE NEAR FUTURE. THERE HAS BEEN CONSIDERABLE
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PRESS SPECULATION RECENTLY THAT BANK CARTEL WILL FORMALLY LOWER
INTEREST RATES PAID ON DEPOSITS SOON BECAUSE OF THE CURRENT HIGH
LEVEL OF LIQUIDITY IN THE SYSTEM. AT THE SAME TIME, WITH UNIONS
AND SOME POLITICAL PARTIES HUNGRILY EYEING COST OF LABOR SAVINGS
ACCRUING TO BANKS RESULTING FROM RECENT "ABOLITION OF WAGE
INDEXATION ANOMALIES," BANKING CARTEL HAS COUNTERED BY OFFERING
TO REDUCE LENDING RATES BY A HALF POINT IF SAVINGS ARE LEFT TO

THEM. IT IS LIKELY, THEREFORE, THAT BOTH RATES WILL EDGE DOWN SOON.
BEAUDRY

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Message Attributes

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Copy: SINGLE
Sent Date: 24-Feb-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
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